

State Water Infrastructure Commission

Raleigh, North Carolina

Memorandum

To: The Honorable Bev Perdue

The Honorable Marc Basnight

The Honorable Joe Hackney

Copy: The Honorable Bob Atwater

The Honorable Dan Clodfelter

The Honorable Pryor Gibson

The Honorable Pricey Harrison

From: Bill Holman, Chairman, State Water Infrastructure Commission

Re: 2010 Annual Report

Date: December 15, 2010

I am writing on behalf of the State Water Infrastructure Commission (SWIC) to submit our annual report to the Governor and General Assembly of North Carolina as required by GS 159G-67.

The 2005 General Assembly established SWIC in the Office of the Governor (GS 159G-65) to make recommendations on the role of the State in funding and maintaining drinking water, wastewater and stormwater infrastructure to the Governor and General Assembly.

Representatives of the Department of Commerce, Department of Environment and Natural Resources, Clean Water Management Trust Fund, Rural Economic Development Center, State Treasurer, Water Resources Research Institute, NC State University, NC League of Municipalities, NC Association of County Commissioners, NC Chapter of the American Council of Engineering Companies, Governor, NC Senate, and NC House of Representatives serve on the SWIC.

2010 Meetings and Work

The SWIC met six times in 2010 at the Albert Coates Local Government Center in Raleigh.

The SWIC provided the primary, ongoing forum for its members, water funders, local governments, and the public to discuss and debate water infrastructure funding and policy. In 2010 The SWIC received and discussed regular reports on:

- 1) implementation of the water infrastructure provisions of the American Recovery and Reinvestment Act by the Division of Water Quality, Division of Environmental Health, and USDA Rural Development,
- 2) proposed changes in the Clean Water State Revolving Loan Fund by the Division of Water Quality,
- 3) development of a common application for requests for water infrastructure grants and loans (posted on the web sites of water funders),
- 4) development of a joint report from water funders to the Governor and General Assembly on state investments in water infrastructure (posted at www.ncruralcenter.org),
- 5) financial oversight of public water utilities by the State Treasurer, including the requirements of GS 143-355.4 that the utility revenues must be greater than expenses,
- 6) discussion and promotion of best practices to value and manage water infrastructure assets,
- 7) discussion and promotion of best practices to conduct water audits and to reduce water and revenue losses, and
- 8) improving the State's assessment of water infrastructure needs and implementation of other water infrastructure legislation.

With the assistance of the Environmental Finance Center at the School of Government at UNC-Chapel Hill the SWIC developed and adopted "Guidance for North Carolina Utilities Attempting to Support Water Conservation in the Long-Term through Rate Structure Design and Billing Practices" as required by Section 17 of SL 2008-143, Improve Drought Response. The SWIC began debated the water conservation guidance at its May, July, September and November meetings and adopted the guidance at its November meeting.

2010 Water Infrastructure Legislation

The 2010 General Assembly enacted many important water infrastructure bills recommended by the Legislative Study Committee on Water and Wastewater Infrastructure, including SL 2010-151 (HB 1744), Modify Water Funding Priorities; SL 2010-144 (HB 1746), Water Infrastructure Information Needs/Increase Financial

Oversight; and SL 2010-150 (HB 1747), Water Supply System Capacity Planning. Many SWIC members served on and participated in the work of the Legislative Study Committee on Water and Wastewater Infrastructure. The SWIC has provided a forum to discuss development and implementation of the bills.

2010 Water Infrastructure Appropriations

Governor Perdue requested and the 2010 General Assembly appropriated \$6,398,128 (NR) to provide the State's 20% match for the federal Clean Water State Revolving Loan Fund and \$6,201,872 (NR) to provide the State's 20% match for the federal Drinking Water State Revolving Loan Fund.

Governor Perdue requested and the 2010 General Assembly appropriated \$50,000,000 to the Clean Water Management Trust Fund.

The SWIC greatly appreciates the investment in water infrastructure by the Governor and General Assembly in 2010.

2011 Recommendations

Water infrastructure is critical to the State's economy, environment, and public health. Investments in water infrastructure create jobs. North Carolina's growing population is increasing the demand for water and electric services and is increasing the importance of assured supplies of clean water. Assured supplies of clean water are vital to all sectors of the State's economy, including manufacturing, electric power production, agriculture, and travel and tourism.

The NC Rural Economic Development Center's Water 2030 Report estimated that over \$16,000,000,000 needed to be invested in North Carolina's drinking water, wastewater and stormwater systems over the next 20 years.

Given the importance of water infrastructure to the State's economy and environment and the importance of coordinating the investments of the State's limited water infrastructure funding, the SWIC also needs funding for its work.

SWIC operated without appropriations in fiscal years 2009-2010 and 2010-2011. Georgia has directed a portion of its state water revolving loan funds to development of the Georgia Water Plan. SWIC recommends that up to \$250,000 of NC's Clean Water State Revolving Loan Fund and Drinking Water State Revolving Loan Fund be allocated to fund the operations of the SWIC for fiscal years 2011-2012 and 2012-2013.

SWIC recommends that the Governor request and that the General Assembly appropriate funds to provide the State's 20% match for the federal Clean Water State Revolving Loan Fund and the federal Drinking Water State Revolving Loan Fund. (As of

this writing the US Congress has not enacted a 2011 budget or appropriated funds to the US Environmental Protection Agency for the revolving loan funds.)

Clean Water Management Trust Fund (CWMTF) – The CWMTF is authorized to be funded at \$100,000,000 annually by GS 113A-253.1. The last two years the General Assembly appropriated \$50,000,000 each year to CWMTF. SWIC recommends that the Governor request and that the General Assembly appropriate \$50,000,000 to CWMTF in each year of the biennium. 227 applicants requested more than \$249,000,000 for clean water investments from CWMTF in 2010.

Thank you for your consideration. Please contact me or other members of the SWIC if you need more information.